BUILDERS OF
VALUE

BUILDERS
Energy Services

BUILDERS OF
TRUST

BUILDERS OF
BUSINESS

CORPORATE PROFILE

Based in Calgary, Builders Energy Services Trust is an open-end, unincorporated investment trust providing oilfield services in Western Canada through skilled staff and specialized equipment. Builders provides services to the oil and gas industry related to the ongoing servicing of producing wells and new drilling activity.

The name "Builders" conveys not only strength, but also our strategy to "build" our organization and Unitholder value through strategic internal growth and acquisitions in the oilfield services sector.

Through strong leadership, operational management and financial discipline, Builders has created an organization where the whole exceeds the sum of the parts.

Builders' Trust units are listed on the Toronto Stock Exchange and trade under the symbol "BET.UN".

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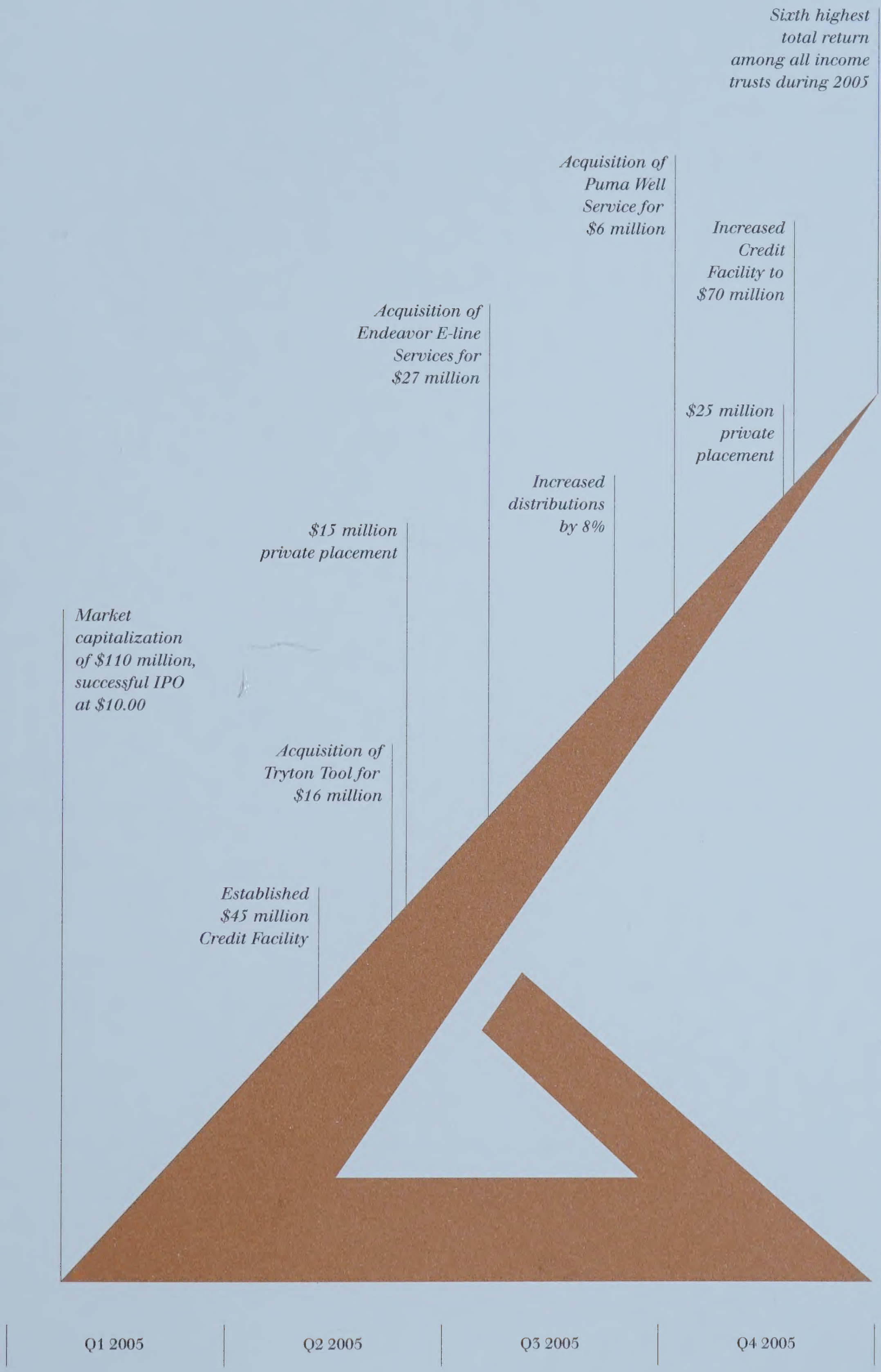
BUILDERS' PERFORMANCE 2005



FINANCIAL RESULTS

(Thousands, except per unit amounts or as otherwise noted)	As at and for the 66-day period ended March 31, 2005	As at and for the quarter ended June 30, 2005	September 30, 2005	December 31, 2005	As at and for the 341-day period ended December 31, 2005
Revenue	$ 20,221	$ 17,303	$ 37,164	$ 50,772	$ 125,460
Gross margin	$ 9,437	$ 4,361	$ 14,078	$ 18,361	$ 46,237
EBITDA	$ 7,560	$ 1,887	$ 9,646	$ 14,166	$ 33,259
Per unit – basic	$ 0.76	$ 0.18	$ 0.77	$ 1.04	$ 2.82
Per unit – diluted	$ 0.65	$ 0.15	$ 0.69	$ 0.95	$ 2.56
Funds flow	$ 6,588	$ 2,532	$ 9,234	$ 12,544	$ 30,898
Per unit – basic	$ 0.66	$ 0.24	$ 0.73	$ 0.93	$ 2.62
Per unit – diluted	$ 0.57	$ 0.20	$ 0.66	$ 0.84	$ 2.38
Net earnings	$ 4,249	$ 83	$ 4,960	$ 7,220	$ 16,512
Per unit – basic	$ 0.43	$ 0.01	$ 0.39	$ 0.53	$ 1.40
Per unit – diluted	$ 0.40	$ 0.01	$ 0.38	$ 0.52	$ 1.38
Distributions to unitholders	$ 2,692	$ 3,808	$ 4,734	$ 5,497	$ 16,731
Per unit	$ 0.27	$ 0.36	$ 0.37	$ 0.39	$ 1.39
As a percentage of funds flow from operations ("Payout ratio")	41%	150%	51%	44%	54%
Gross margin as a percentage of revenue	47%	25%	38%	36%	37%
General and administrative expenses as a percentage of revenue	9%	14%	12%	8%	10%
Capital expenditures (net)	$ 1,731	$ 5,691	$ 7,956	$ 11,349	$ 26,727
Long-term debt	$ 11,194	$ 16,821	$ 34,862	$ 21,928	$ 21,928
Unitholders' equity	$ 90,415	$ 108,709	$ 122,839	$ 152,171	$ 152,171
Working capital	$ 8,322	$ 14,663	$ 17,207	$ 18,440	$ 18,440
Trust units – outstanding, end of period	9,970	11,793	12,814	14,624	14,624
Trust units – weighted average, basic	9,931	10,565	12,599	13,557	11,788
Trust units – weighted average, diluted	11,648	12,387	13,997	14,898	13,006
Trust units – price					
Per unit – high	$ 15.20	$ 15.50	$ 17.85	$ 19.45	$ 19.45
Per unit – low	$ 11.52	$ 12.00	$ 14.48	$ 14.00	$ 11.52
Per unit – close	$ 12.59	$ 14.80	$ 16.75	$ 18.70	$ 18.70
Trust units trading volume	5,063	1,154	1,881	3,296	11,394

BUILDERS OF BUSINESS Through leadership, management and financial strength, Builders operates our energy services businesses within a framework of good governance and will continue to grow through strategic internal expansion and acquisitions.

BUILDERS OF TRUST By setting and executing a clear strategy, Builders establishes a high level of trust with our customers, employees and unitholders.

BUILDERS OF VALUE Builders creates unitholder value through superior service, experienced operational management and financial discipline.

Builders Energy Services Trust units trade on the Toronto Stock Exchange: BET.UN

LETTER TO UNITHOLDERS

I am pleased to present the first annual report of Builders Energy Services Trust. The year of 2005 was highly successful for Builders on a number of fronts. From an investment perspective, our market capitalization grew from just over $100 million on January 25, 2005 at the time of our Initial Public Offering ("IPO"), to approximately $250 million today. We finished the year with revenue of $125 million and EBITDA of $33 million. This success excludes revenue and EBITDA for most of the month of January, 2005, a key operating month, when our businesses were not yet part of Builders.

We generated cash flows that not only allowed us to maintain our original monthly distribution level, but to increase it as well, staying within our targeted payout ratio. We also made a significant investment in new equipment most of which was delivered and put in service late in 2005 or at the beginning of 2006. Since closing the IPO acquisitions, four more strategic acquisitions have been completed. Our successes resulted in Builders having the sixth highest total return among all income trusts in 2005. In addition, Builders had the third highest return amongst the 40 new trusts created in 2005. We also significantly outperformed both the S&P/TSX Composite index and the S&P/TSX Trust index in 2005.

From an operating perspective, we have truly become a Builders team. The significant strength and experience of our business general managers, associate general managers and field employees give us substantial operating depth. In Calgary, we have recruited an excellent team of senior management and staff that provides leadership to our businesses in the areas of finance, information systems, human resources, safety and governance that provide Builders a strong platform for future growth. We have proven that our unique management philosophy of retaining existing brands, cultures and corporate identities of the businesses is a success in the Canadian oilfield services industry.

Builders introduced a business model for select oilfield service entrepreneurs to join a team of like-minded services businesses in a public company environment. The Builders model allows them to share in the continued successes of the business they founded while retaining their local operating identity. We believe there is significant value in maintaining these operating identities. Entrepreneurial drive, spirit and reputation made these businesses successful and we feel this winning formula must be preserved. In an oilfield services sector which is spread widely across Western Canada, this approach offers a distinct strategic advantage. Our model avoids the risk of a "one-size-fits-all" approach and accommodates regional, customer and work environment differences. In turn, our approach ensures that we attract and retain top-end local staff in a business environment where effective management of personnel can be the difference between success and failure. It is also a key feature in our ability to attract future acquisition candidates. Management of successful private companies who want to remain in the oilfield services industry are indicating Builders as their trust of choice. This bodes well for future growth by acquisitions.


JOHN NEARING
VP Finance and CFO
GARNET AMUNDSON
President and CEO
JOHN EADIE
Senior VP and Corporate Secretary
TERRY WINNITOY
VP Business Development

A summary of our 2005 achievements is as follows:

2005 Achievements

- Successful IPO of 5.1 million Trust Units at $10.00 each, which commenced trading on the Toronto Stock Exchange on January 25, 2005;
- Twelve acquisitions in 2005, including the simultaneous closing of nine acquisitions on January 25; Tryton Tool Services Ltd. in June; Endeavor E-Line Services Inc. in July; and Puma Well Service Ltd. in October;
- Successful transition of our acquisitions from private company environments to a single team in a public reporting environment;
- Revenue of $125 million and EBITDA of $33 million (excluding 25 days to January 25, 2005);
- Established a $70 million credit facility to position ourselves for future growth;
- Completed two unit offering private placements; one in June for net proceeds of $14.0 million and a second in December for net proceeds of $23.6 million; and
- Increased unit distributions from $0.12 per month to $0.13 per month in October, 2005.

Outlook for 2006

Looking forward, we expect cash flows and earnings in 2006 to exceed 2005 levels, reflecting the investment in growth capital and a full year of operations for all of our businesses. For 2006, we have announced $30 million in capital. We also expect to continue to evaluate and acquire businesses that meet our acquisition criteria. Our expectations are based on a backdrop of positive industry conditions:

- Oil and gas prices are expected to remain strong throughout 2006;
- The Canadian Association of Oilwell Drilling Contractors estimates that the number of wells drilled in Canada in 2006 will be approximately 25,000. With the current demand in North America and abroad for crude oil and natural gas, the oilfield services sector is expected to be strong throughout 2006 and 2007.
- Reservoir declines and challenges in finding new reserves through exploration are expected to lead the industry towards increased oilfield service work in maintaining and enhancing recoveries from existing reservoirs;
- Reservoir and production challenges, high prices and strong demand for oil and natural gas have led many to conclude that the oilfield services sector will continue to grow.

Our management team in 2006 will focus on:

- Operational excellence. As we transition our general managers and businesses from an individual business focus to a cohesive oilfield services organization, we expect our operational results to continue to improve;
- Assessing and completing strategic acquisitions that will fit into the Builders organization. We expect industry consolidation in the oilfield services sector to continue;
- Adding approximately $30 million in capital in 2006 with the significant areas of focus being the service rig, coil tubing, nitrogen, oilfield hauling, wireline and rig re-location businesses;
- Programs to ensure the attraction and retention of a strong and dedicated employee group.

Within a model that offers field operating autonomy to our business units, we have established the disciplines of good policy, financial reporting and controls and governance practices. The camaraderie and enthusiasm that the former owners (and now general managers) of our businesses have shown for Builders and its operating model have been key elements of our success.

I would like to conclude by thanking, on behalf of all our businesses, our customers and all that they mean to our success. We will continue to strive to provide you the best service possible within a safe working environment. I would also like to thank our unitholders for investing with us. We will continue to grow our businesses and create additional unitholder value in 2006.

Finally, I would like to express my sincere gratitude to all our staff, managers, contractors and the Board of Directors, who have each contributed to the success of Builders in its first year. We have been able to assemble a group of individuals with a unique entrepreneurial spirit balanced with good policy and governance practices essential in operating a successful public organization. With almost 750 employees and contractors located in Alberta and Saskatchewan, our achievements in 2005 have been outstanding and show what can be done when great people are brought together to allow an idea to flourish. Without your dedication and commitment, much of what we have been able to accomplish to date would not have been possible. I look forward to working with you in 2006.

Garnet K. Amundson
President & Chief Executive Officer

Builders Energy Services Ltd.
March 7, 2006

OUR STRATEGY

Select Oilfield Services
Focus on providing energy services.

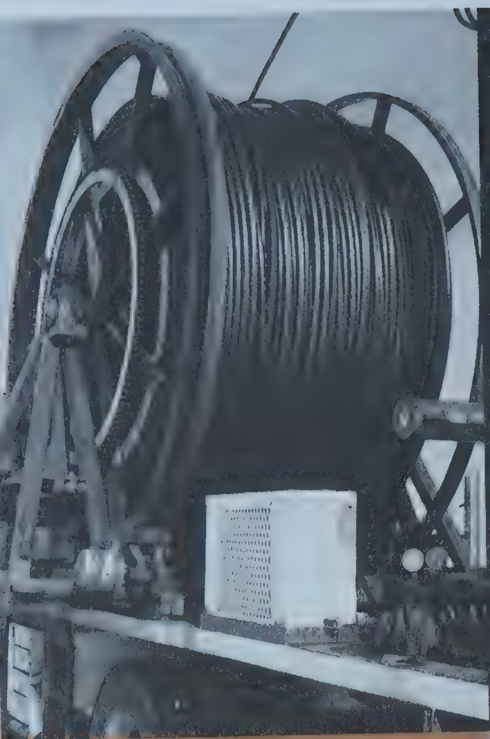
Entrepreneurial Spirit
Preserve the branding, culture and spirit of the businesses.

Operational Excellence
Efficient operations and superior customer service within a safe working environment.

Business Diversity
Operational and geographic diversity in Western Canada.

Growth
Internal expansion and acquisitions.

Cash Distributions
Sustainable cash distributions for our Unitholders.



CTC ENERGY SERVICES

Servicing the WCSB since 1999

Package of services provided by an equipment fleet consisting of coil tubing units, nitrogen pumpers and production testing units

Operations in Red Deer and Grande Prairie, Alberta

BRAZEAU WELL SERVICING

Operations since 1990

Specializes in the production, workover and completion of existing and new wells

Fleet of service rigs and related support equipment

Operations in Drayton Valley and Grande Prairie, Alberta

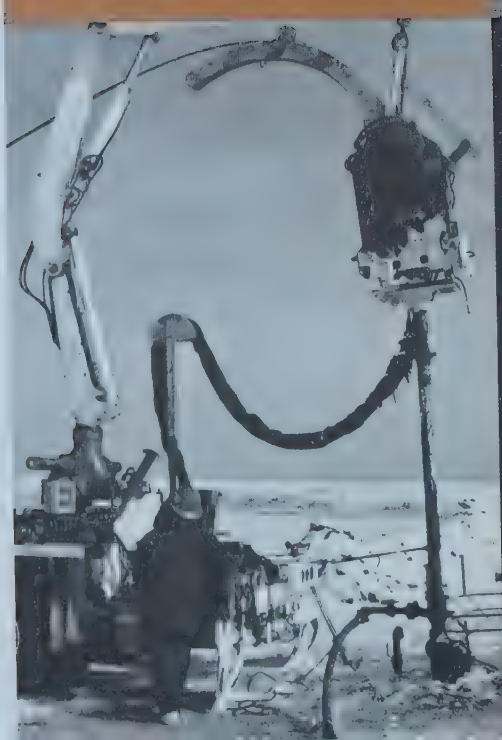
PUMA WELL SERVICE

In business since 1997

Fleet of service rigs provides production, workover and completion services

Fabrication facilities manufacture service rigs and related equipment to meet growth initiatives of both Puma and Brazeau

Operates from Brooks, Alberta



ENDEAVOR E-LINE SERVICES

Commenced operations in 1998

Provides cased hole logging and perforating services

Fleet of full service logging and perforating units

Five field locations in Alberta with a sales office in Calgary

Exclusive Canadian rights to the GasGun™ fracturing tool

REMOTE WIRELINE

Operations since 1996

Provides wireline services using a fleet of slickline units and related support equipment

Operates from facilities in Mannville, Alberta

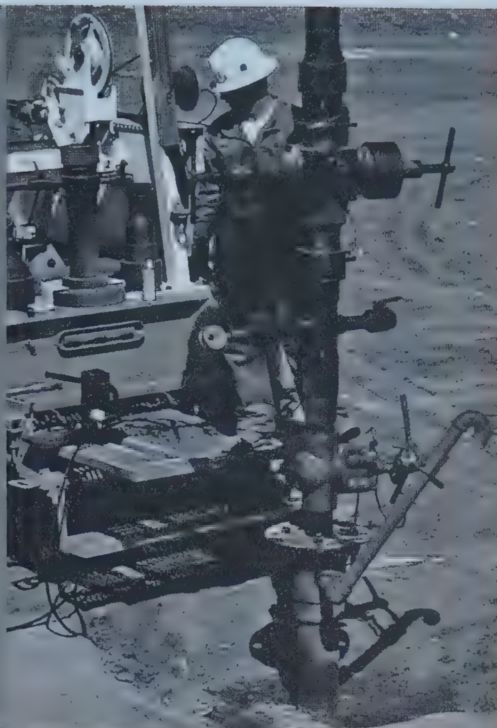
DECARSON RENTALS

In business for 45 years

Oilfield rental business

Broad range of equipment including drill pipe, handling tools, collars, degassers and rig mats

Located in Nisku, Alberta



TRYTON TOOL SERVICES

Operations since 1997

Sells, installs and services a wide range of downhole tools for completion, production and workover projects

Six service centres in Alberta

LEACHMAN OILFIELD TRUCKING

Since 1990

Tubulars storage and hauling business

General oilfield hauling

Fleet of winch, picker and bed trucks and trailers

Operates from facilities in Provost, Alberta

POLEGE OILFIELD HAULING

Since 1993

Oilfield pipe hauling and storage business

Fleet of winch trucks, picker trucks, tractors, trailers and loaders

Operates from facilities in Edmonton, Alberta

CIRCLE D TRANSPORT AND RENTALS

Since 199[illegible]

General oilfield hauling, rig relocation and equipment rental business

Fleet consisting of winch and bed trucks, pickers, trailers and other related support and rental equipment

Main office in Brooks, Alberta with four other field locations

KEYS TO BUILDERS' SUCCESS

Track Record
Management and staff with proven oilfield services experience.

Reputation
Businesses with an established operating history providing superior customer service within a safe working environment.

Cash Generation
Solid gross margins and high equipment utilization.

Crews and Equipment
A skilled workforce operating a fleet of reliable, well-maintained equipment.

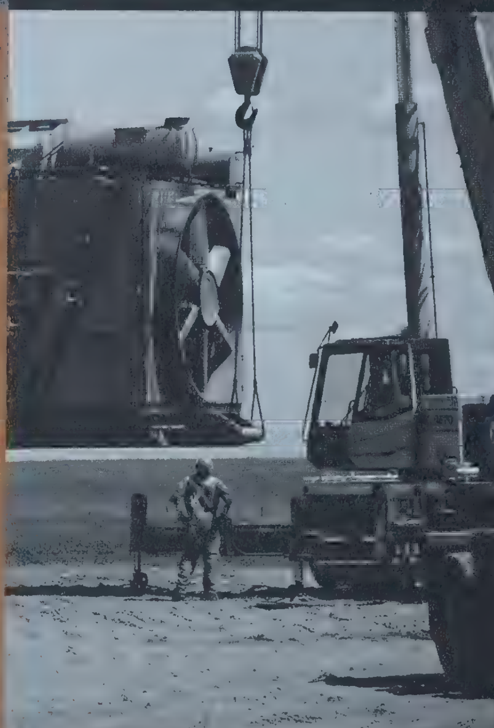
Growth
Positioned to capitalize on expansion opportunities.

"Our team is focused on providing quality energy services to our customers and cash flow generation from our businesses within a safe working environment."

GARNET AMUNDSON
President and CEO

"Builders gives our employees an opportunity to invest in the business they work for and participate in its future success."

DALE JEHN
CTC Energy Services



"Under the Builders model we are able to concentrate more on the day-to-day delivery of services to customers in the field, knowing the Calgary office will be there to provide us with the administrative support we need."

WARREN BRYANTON
Brazeau Well Servicing

"Our results demonstrate that we have taken the next step from simply an acquirer of established, trust-suitable companies to a successful operating company, providing production and drilling related energy services."

JOHN EADIE
Senior VP and Corporate Secretary

"The financial resources of Builders allows us to capitalize on opportunities quickly, maximizing revenue and returns."

BARRY MOORE
Decarson Rentals

"Builders offers successful private companies an opportunity to join a public entity where they maintain their business name, people and operating culture while at the same time giving them access to the financial resources and strategic leadership necessary to get them to the next level."

TERRY WINNITOY
VP Business Development

OUR STRENGTH IS OUR PEOPLE

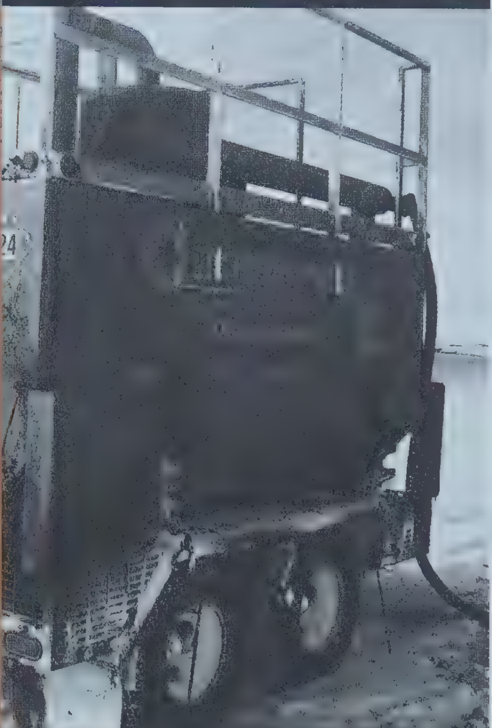
Focused

Experienced

Committed

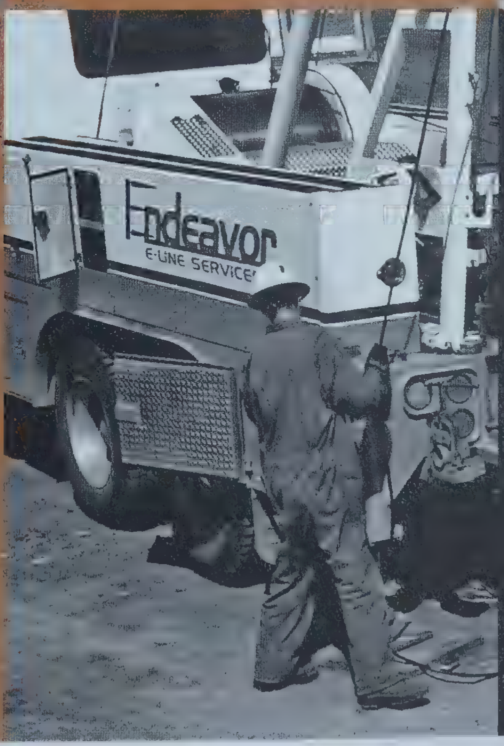
"Builders provides the structure and capital we need in a rapid growth environment."

MYLES PADDOCK
Circle D Transport and Rentals



"From an accounting and reporting perspective, we have been successful in ensuring the regulatory standards of a public company have been met with minimal disruption to our businesses."

JOHN NEARING
VP Finance and CFO



"In addition to our service rig operations, our facilities allow us to fabricate new service rigs. As a result, we are able to reduce equipment wait times and expand our customer base."

DEAN BIGELOW
Puma Well Servicing

The following Management's Discussion and Analysis ("MD&A") of Builders Energy Services Trust ("Builders" or the "Trust") for the 341-days ended December 31, 2005, should be read in conjunction with the Trust's audited consolidated financial statements as at and for the 341-days ended December 31, 2005 and the notes contained therein. This MD&A was prepared effective March 7, 2006.

Forward-Looking Statements

Certain statements contained in this MD&A constitute forward-looking statements. When used in this document, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "expect", and similar expressions, as they relate to the Trust, are intended to identify forward-looking statements. Such statements reflect Management's current views with respect to future events and are subject to certain risks, uncertainties and assumptions, including, without limitation, those described in this MD&A under the heading "Outlook". Many factors could cause the Trust's actual results, performance or achievements to vary from those anticipated in this MD&A. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated or expected. Management does not assume any obligation to update these forward-looking statements if conditions or opinions should change.

Non-GAAP Measures

Throughout this MD&A, certain terms that are not specifically defined in Canadian generally accepted accounting principles ("GAAP") are used to analyze the operations. In addition to the primary measures of net earnings and net earnings per unit in accordance with GAAP, management believes that certain measures not recognized under GAAP assist management and the reader in assessing the performance and understanding the Trust's results. Each of these measures provides the reader with additional insight into the Trust's ability to generate ongoing cash flow, which is key to the sustainability of the trust model.

- Gross margin – This measure is considered a primary indicator that highlights the operating component of the funds flow generated by the Trust through its business units.
- EBITDA (Earnings before interest, income taxes, depreciation, amortization and non-cash charges) – This measure is used extensively in the Trust's financial covenants and is also considered an indicator of the Trust's ability to generate funds flow in order to meet distributions, ongoing operating commitments, servicing of debt and funding for capital programs.

- Funds flow or funds flow from operations – This measure, consistent with EBITDA, is an indicator of the Trust's ability to generate funds flow in order to make distributions, fund ongoing operating commitments, service debt and fund capital programs. Funds flow or funds flow from operations is defined as funds flow from operations before changes in non-cash working capital.
- Maintenance capital – Capital additions that are incurred in order to refurbish or replace previously acquired capital assets. Such additions do not provide incremental increases in revenue. Maintenance capital is a key component in understanding the sustainability of the Trust as cash resources retained within the trust must be sufficient to meet maintenance capital needs to replenish the assets for future cash generation.
- Growth capital – Growth capital is capital spending which is intended to result in incremental increases in revenue. Growth capital is considered a key measure by management as it represents the total expenditures on equipment expected to add incremental revenues and funds flow to the Trust.
- Payout ratio – This ratio is an indicator of the Trust's ability to meet its distribution levels while still maintaining adequate funds flow to fund the Trust's ongoing operations.
- Working capital –This term is defined as current assets less current liabilities excluding current portion of long-term debt.
- Distributable cash – Distributable cash is a key measure of the Trust's ability to fund cash distributions to its Unitholders. Distributable cash is determined by subtracting maintenance capital and scheduled debt repayments from funds flow from operations and adding back proceeds on disposal of capital assets replaced by maintenance capital.

These non-GAAP measures are not recognized measures under GAAP. As a result, the method of calculation may not be comparable with other companies or Trusts. These measures should not be considered alternatives to net earnings and net earnings per unit as calculated in accordance with GAAP.

These non-GAAP measures have been reconciled to GAAP measures in the tables throughout the MD&A.

Additional Information

Additional information regarding Builders can be found in the initial prospectus of the Trust dated January 13, 2005 and in Builders' Annual Information Form. These documents can be found on SEDAR at www.sedar.com.

BUILDERS OVERVIEW

Builders was formed on January 25, 2005, through an Initial Public Offering ("IPO") which included the concurrent closing of the acquisitions of nine oilfield service companies (the "IPO Acquisitions" as defined in Note 3 of the Consolidated Financial Statements). In addition to the IPO Acquisitions, Builders completed three acquisitions during the 341-day period ended December 31, 2005 with the purchases of the net assets of Tryton Tool Services Ltd. ("Tryton") and Puma Well Service Ltd. ("Puma") and the shares of Endeavor E-line Services Inc. ("Endeavor"). In addition, Builders acquired Leachman Enterprises Ltd. ("Leachman") in 2006.

Builders is a growth-oriented income trust focused on oilfield services in the Western Canadian Sedimentary Basin ("WCSB"). Builders was established as a trust versus a more traditional corporate structure for several reasons including:

- Better access to the capital markets which would aid management in its implementation of its growth strategy;
- Stronger trust valuations versus a traditional corporate structure due to the lower cost of capital; and
- The ability to generate cash on a tax-effective basis for unitholders. A trust is a flow-through structure whereby the distribution is either taxed as income in the hands of the unitholder or as a reduction to the unitholders adjusted cost base of the Trust units. Management recommends that unitholders consult their tax advisors regarding the tax implications of their investment in Trust units. In a traditional corporation, taxes are paid by the corporation and then paid again, albeit at a reduced rate, by the shareholder on the receipt of dividends.

Strategy

Builders is committed to building value for its unitholders through disciplined management and the implementation of its long-term strategy. The key aspects of Builders' strategy are:

- *Select Oilfield Services:* Focus on providing energy services.
- *Entrepreneurial Spirit:* Preserve the branding, culture and spirit of the businesses within Builders.
- *Operational Excellence:* Efficient operations and superior customer service within a safe working environment.
- *Business Diversity:* Operational and geographic diversity in Western Canada.
- *Growth:* Internal expansion and acquisitions.
- *Cash Distributions:* Sustainable cash distributions for Unitholders.

THE INDUSTRY

The WCSB is one of the largest oil and gas exploration and producing regions in North America, with the majority of oil and natural gas production in Canada occurring in this area. There are approximately 160,000 producing wells in the WCSB. The WCSB is a maturing basin with estimates of annual decline rates for natural gas, in the absence of additional production from new drilling, of approximately 23 percent per year, according to the National Energy Board of Canada. This rate of decline, coupled with the fact that the average production rates per well of oil and natural gas have been declining in Western Canada for the past decade, has resulted in an increase in drilling activity over the same period in order to maintain current production levels. In addition, there has been an increase in activity involving existing wells to

preserve their productivity and to improve recovery rates. A combination of declining reserves and high commodity prices has seen the number of wells drilled annually in Canada increase from approximately 10,000 in 1999 to an estimated 25,000 in 2006, of which 20,000 are expected to be drilled in Alberta.

The oilfield services sector offers specialized staff and equipment to crude oil and natural gas production, exploration and development entities. These services, among others, include oilfield transportation, equipment rental and supply, coil tubing, nitrogen and wireline services. Oilfield service entities provide services to support drilling activity and also provide services associated with existing wells that are already on production. Producing wells generally require regular maintenance activities to ensure their production capabilities are maintained. Examples of activities that oilfield service entities offer that relate to productive wells include service rigs to repair, re-perforate and stimulate wells to improve crude oil and natural gas production, coil tubing units that are used to remove unwanted corrosive acids, solids, gels and fluids from producing zones, and nitrogen units that are used to support coil tubing operations. Production-related activities are generally regarded as less cyclical than drilling-related service activities, as they tend not to be directly impacted by the level of drilling activity. At certain commodity pricing levels, drilling may become less economic, which in turn, can affect the amount of drilling activity.

Successful oilfield service firms are those that offer availability, reliability and performance of equipment, as well as technical knowledge, experience, competitive pricing, and a focus on safety.

Commodity Prices

The primary activity driver in the oil and gas industry is commodity prices. These prices determine the level of both exploration and reservoir development activity. Crude oil prices are primarily determined by world markets and are dependent on the overall supply and demand of the related commodities. With world economies in China, India and North America continuing to be robust, in the past number of years demand for oil has been high. This level of demand, in addition to the fact that a significant percentage of world reserves are impacted by the political instability in regions such as the Middle East, has caused prices to continue to escalate and reach all time highs in 2005. Given the political instability of many regions in the world, North America continues to focus on ensuring that reserves within the WCSB are developed and existing wells are continually serviced to maximize their output.

With current commodity pricing, exploration and production ("E&P") businesses are reporting record profits and are active in programs to replace and increase their reserves. This has resulted in profitable exploration and development in the WCSB in previously uneconomic areas and the drilling of both deeper and higher cost wells and shallow, lower productivity wells.

OILFIELD SERVICES

Builders provides a variety of oilfield services to oil and natural gas producers and explorers. Builders services include: oilfield hauling such as the transportation of pipe, tubular products, supplies and equipment to the wellsite; rig relocation services which involve using specialized equipment and procedures to move coil tubing units, service rigs and conventional drilling rigs from site to site once drilling is completed; service rigs, which are used to repair, re-perforate and stimulate existing oil and gas wells and perform completion work on new wells; e-line services which include logging and perforating services; and coil tubing services, which involve injecting coil tubing into wells to perform various well-servicing operations. Builders also provides services that include oilfield rentals, downhole tool services, and slickline services.

DISCUSSION OF FINANCIAL RESULTS

Management views Builders as a single business segment, due to the similarity of its operations and services, common customer base, geographic concentration in the WCSB and its single focus on the oilfield services sector.

The operations and financial results of the IPO Acquisitions are included in the December 31, 2005 financial statements and MD&A of the Trust from the January 25, 2005 closing of the acquisitions. The operations and financial results of Tryton, Endeavor and Puma, are included in the December 31, 2005 financial statements and MD&A of the Trust from June 1, July 21, and October 14, 2005, respectively. Due to the complexity of harmonizing the accounting periods and policies for past financial information, no comparative information is provided.

(Thousands, except per unit amounts)	As at and for the 66 days ended March 31, 2005	As at and for the three months ended June 30, 2005	September 30, 2005	December 31, 2005	As at and for the 341 days ended December 31, 2005
Selected Statement of Operations Information					
Revenue	$ 20,221	$ 17,303	$ 37,164	$ 50,772	$ 125,460
Operating expenses	10,784	12,942	23,086	32,411	79,223
Gross margin	9,437	4,361	14,078	18,361	46,237
General and administrative	1,877	2,474	4,432	4,195	12,978
EBITDA	7,560	1,887	9,646	14,166	33,259
Other cash expense (income)	–	(42)	35	325	318
Interest on long-term debt	163	206	377	310	1,056
Income tax expense (recovery)	809	(809)	–	987	987
Funds flow from operations	6,588	2,532	9,234	12,544	30,898
Depreciation and amortization	1,598	2,287	3,048	3,314	10,247
Unit-based compensation	247	351	468	534	1,600
Other non-cash expense (income)	17	(39)	155	129	262
Future income tax expense (recovery)	59	(158)	201	793	895
Non-controlling interest	418	8	402	554	1,382
Net earnings	$ 4,249	$ 83	$ 4,960	$ 7,220	$ 16,512
Net earnings per unit – basic	$ 0.43	$ 0.01	$ 0.39	$ 0.53	$ 1.40
Net earnings per unit – diluted	$ 0.40	$ 0.01	$ 0.38	$ 0.52	$ 1.38
Selected Balance Sheet Information					
Working capital	$ 8,322	$ 14,663	$ 17,207	$ 18,440	$ 18,440
Total assets	$ 147,231	$ 165,632	$ 203,709	$ 232,369	$ 232,369
Total liabilities	$ 57,234	$ 56,923	$ 80,870	$ 80,198	$ 80,198
Unitholders' equity	$ 90,415	$ 108,709	$ 122,839	$ 152,171	$ 152,171
Cash distributions to unitholders	$ 2,692	$ 3,808	$ 4,734	$ 5,497	$ 16,731

Net Earnings

Net earnings for the 341-day period ended December 31, 2005 were $16.5 million ($1.40 per basic unit, $1.38 per diluted unit), slightly higher than management's internal forecasts, reflecting the strength and performance of the businesses that comprise Builders and the robust nature of the oil and gas industry in the WCSB.

Revenue and Gross Margin

The following table highlights revenue, gross margin and EBITDA:

(Thousands, except where otherwise indicated)	For the 66 days ended March 31, 2005	For the three months ended June 30, 2005	For the three months ended September 30, 2005	For the three months ended December 31, 2005	For the 341 days ended December 31, 2005
Revenue	$ 20,221	$ 17,303	$ 37,164	$ 50,772	$ 125,460
Operating expenses	10,784	12,942	23,086	32,411	79,223
Gross margin	9,437	4,361	14,078	18,361	46,237
General and administrative	1,877	2,474	4,432	4,195	12,978
EBITDA	$ 7,560	$ 1,887	$ 9,646	$ 14,166	$ 33,259
Gross margin as a percentage of revenue	47%	25%	38%	36%	37%
EBITDA as a percentage of revenue	37%	11%	26%	28%	27%

Overall gross margin percentage, at 37 percent, fell slightly short of management's 2005 annual estimate of 40 percent. Primary factors contributing to this were:

- Revenue was impacted by delays in receiving new equipment and lower utilization rates caused by unfavourable weather conditions. Specifically,
  - New equipment was delayed due to shortages of both equipment and fabrication facility availability caused by the heavy demand in the industry.
  - Weather conditions impacted utilization rates in the second quarter and, to a lesser extent in the third quarter, as wet weather impeded the ability of equipment to get into the field. Revenue and equipment utilization tends to be higher in the fall and winter months when activity in the industry increases as a result of ground freezing which allows access to additional well sites. The spring tends to be the season when access is limited and equipment is repaired and maintained.
- Operating costs were driven by increased costs for fuel, higher labour costs caused by wage increases as a result of industry-wide labour shortages driven by demand, and carrying additional crews in preparation for the arrival of new equipment which was delayed. With the arrival of equipment late in 2005 and in the first quarter of 2006, revenues and margins are expected to be positively impacted as this equipment is deployed into the field.
- Equipment delivery delays impacted the gross margin percentage, as additions of new equipment generally improve margins, reflecting the fact that the incremental revenues only have to cover incremental variable expenses, and "fixed" costs are spread over a greater revenue base.

Absolute gross margin at $46 million was slightly higher than management had anticipated. This reflects better than expected revenue from the stronger than projected activity levels in the industry in the fourth quarter.

EBITDA

Management considers EBITDA and gross margin two of the key measures in assessing the operational performance of the Trust. Consistent with gross margin, EBITDA for the 341-day period was slightly ahead of management expectations due to variances noted above.

The Trust's general and administrative expenses include primarily Calgary personnel and office costs and certain personnel in the field offices associated with administrative functions. General and administrative expenses approximated management's expectations for the period.

The following table reconciles EBITDA to net earnings:

	For the 66 days ended	For the three months ended			For the 341 days ended
(Thousands)	March 31, 2005	June 30, 2005	September 30, 2005	December 31, 2005	December 31, 2005
EBITDA	$ 7,560	$ 1,887	$ 9,646	$ 14,166	$ 33,259
Depreciation and amortization	1,598	2,287	3,048	3,314	10,247
Unit based compensation	247	351	468	534	1,600
Other expense (income)	17	(81)	190	454	580
Interest on long-term debt	163	206	377	310	1,056
Income tax expense (recovery)	868	(967)	201	1,780	1,882
Non-controlling interest	418	8	402	554	1,382
Net earnings	$ 4,249	$ 83	$ 4,960	$ 7,220	$ 16,512

Depreciation and Amortization

Depreciation on capital assets is calculated on a straight-line basis over the estimated useful lives, net of the estimated salvage value, and reflects management's best estimates of the lives of the equipment, assuming regular ongoing maintenance. Amortization on intangible assets purchased primarily represents customer lists, and amortization of financing costs associated with credit facilities. Depreciation and amortization has increased from the first quarter to the fourth quarter of 2005 reflecting the shortened first quarter reporting period and the impact of the acquisitions of Tryton, Endeavor and Puma.

Unit-based Compensation

Unit-based compensation represents the fair value of option grants recognized over the vesting period. For the 341-day period, 1.3 million options were granted at an average fair value of $2.96 per option using the Black Scholes option valuation model. The option program is considered a key component of employee compensation and retention in a very competitive industry. The options vest annually in one-third increments over a three-year period and expire after five years.

Interest on Long-term Debt

Interest on long-term debt is attributable to the Trust's term acquisition loan facility, capital leases and financing contracts. Interest rates increased slightly throughout the period and fluctuated with the prime lending rate.

Income Taxes

For the 341-day period ended December 31, 2005 the tax provision was $1.9 million, reflecting the strong operating results of the Trust combined with the tax impact of retaining cash in the Trust to cover scheduled debt principal repayments and maintenance and growth capital requirements.

Note 13 to the consolidated financial statements includes a reconciliation between the income tax provision in the financial statements and the amounts that would be computed by applying the combined Canadian federal and provincial statutory income tax rates to earnings before income taxes.

FINANCIAL RESOURCES

In a trust structure, funds flow generation is considered a key performance indicator. In determining cash distribution levels, management must consider the future funds flow generating capabilities of the businesses, their capital requirements to maintain equipment and repayment requirements of debt.

The following sections review the overall cash generation, resources and uses of cash during 2005.

Operating Funds Flow

Funds flow from operations of $31 million exceeded management's internal estimates, reflecting the robust nature of the industry and the funds flow generating capabilities of the businesses that have become part of Builders in 2005.

Funds flow from operations after changes in non-cash working capital, a second key measure reflecting both operational cash generation and the ability of management to manage working capital, also exceeded management's internal estimates. Non-cash working capital reflects a use of cash for the 341-day period ended December 31, 2005 as the fall and winter seasons are peak activity periods for the industry in the WCSB and accounts receivable and inventory balances tend to increase in these periods.

A key component of working capital is accounts receivable and significant long-term changes in the oil and gas industry could adversely impact their collectibility. Builders manages this risk through various internal processes including monitoring days outstanding and following up with customers once a balance exceeds certain thresholds. As at December 31, 2005, Builders did not have any individual accounts receivable that represented 10 percent or more of the total accounts receivable balance.

Financing

In 2005, a number of financing alternatives were used to fund the activities of the Trust. The issuance of Trust units, use of the term acquisition loan facility and financing arrangements for equipment were used for investment in growth initiatives such as acquisitions and equipment purchases. An operating line of credit facility was established to manage seasonal fluctuations in working capital. Other than leases for premises and equipment, management does not use off-balance sheet arrangements to manage the operating or longer-term financing needs of the Trust.

Trust and Subordinated Units

A summary of Trust units and Subordinated units is as follows:

(Thousands, except where otherwise indicated	Authorized	Issued and Outstanding Number	Amount
Trust units	Unlimited		
Issued on IPO		5,100	$ 46,991
Private placements		2,788	37,562
Consideration for acquisitions		5,669	63,055
Conversion of exchangeable shares		67	682
		13,624	$ 148,290
Subordinated units	Unlimited	1,000	$ 2,500

During the 341-day period ended December 31, 2005, the Trust issued $84.6 million in Trust units for cash, net of issuance costs. The units were issued in three separate transactions as follows:

- On January 25, 2005, the Trust completed an IPO of 5,100,000 Trust units at $10 each, for total gross proceeds of $51.0 million less agents' commissions of $3.1 million and other expenses of $0.9 million. The net proceeds of $47.0 million were used for the IPO Acquisitions. An additional 3,835,226 units were issued as part of the purchase consideration for the IPO Acquisitions. In addition, on January 25, 2005 as part of the IPO, 1,000,000 Subordinated Trust units were issued to the founders of the Trust for proceeds of $2.5 million reflecting the initial capitalization of the Trust. These units are subordinated to the Trust units and only receive monthly distributions once distributions of at least $0.12 per unit per month have been paid to existing unitholders. Throughout 2005, Subordinated unitholders received all monthly distributions. The Subordinated units are eligible for conversion into 1,000,000 Trust units on January 1, 2008.
- On June 2, 2005, the Trust closed a bought deal private placement of 1,200,000 Trust units at a price of $12.50 per Trust unit for total gross proceeds of $15.0 million. Net proceeds after issuance costs were $14.0 million. These funds were used for capital expenditures and the Endeavor acquisition that closed on July 21, 2005.
- On November 30, 2005, the Trust closed a bought deal private placement of 1,588,000 Trust units at a price of $15.75 per Trust unit for total gross proceeds of $25.0 million. Net proceeds after issuance costs were $23.6 million. These funds were used to fund the ongoing capital expenditure and acquisition program and for general corporate purposes.

As at March 7, 2006, there are 15,142,772 Trust units outstanding.

Exchangeable Shares

(Thousands, except where otherwise indicated	Authorized	Issued and Outstanding Number	Amount
Exchangeable shares	Unlimited	946	$ 10,807

Exchangeable shares are used as partial consideration for certain acquisitions. These shares are convertible into Trust units using a specified exchange ratio, at a future date. As at December 31, 2005, the Exchangeable shares outstanding would have converted to 1,029,574 Trust Units. These shares have economic rights and voting attributes equivalent to those of the Trust units into which they are exchangeable. The number of Trust units to be issued on conversion is based on the exchange ratio. The exchange ratio is determined on the date of acquisition adjusted for distributions from the date of acquisition to the exchange date.

Distributable Cash and Payout Ratio

One of the key indicators for both an investor and management is the payout ratio. This ratio reflects the percentage of cash that is being paid out to Unitholders in relation to the amount that is being generated within the Trust. Unlike a more traditional corporate structure, trusts are structured to make distribution payments to unitholders. Management sets an annualized payout ratio target that reflects the risk profile of the Trust and the balance between distributions to Unitholders and maintaining the ongoing operations, including maintenance capital expenditures and scheduled debt repayments. The following table provides the payout ratio calculations for 2005:

(Thousands, except where otherwise indicated)	For the 341 days ended December 31, 2005
Funds flow from operations	$ 30,898
Principal repayments on long-term debt	2,568
Maintenance capital	3,838
Proceeds on the disposal of capital assets	(2,221)
Distributable cash	$ 26,713
Distributions:	
Paid	$ 14,830
Payable	1,901
Total distributions	$ 16,731
Payout ratio on funds flow from operations	54%
Payout ratio on distributable cash	63%

The payout ratios on funds flow from operations and on distributable cash for the 341-day period ended December 31, 2005 were in line with management's expectations. On a longer term basis, management is targeting a payout ratio on distributable cash of 65 percent to 70 percent. Management continues to be disciplined in setting the distribution level, and evaluating whether funds flows allow for sustainable distributions.

Credit Facilities and Long-term Debt

Credit facilities:

(Thousands)	Outstanding as at December 31, 2005	Unutilized as at December 31, 2005	Total credit facility
Credit facilities			
Operating line of credit	$ 5,700	$ 14,300	$ 20,000
Term acquisition loan facility	14,895	35,105	50,000
Total	$ 20,595	$ 49,405	$ 70,000

Other long-term debt:

(Thousands)	Outstanding as at December 31, 2005
Term debt	$ 6,502
Capital leases	531
Total	$ 7,033

The amount outstanding on the operating facility at December 31, 2005 reflects funding of ongoing operations and the timing between receivables collections and the performance of services during the peak activity period in the winter.

During 2005, $36.5 million in long-term debt was repaid, of which $12.3 million was repaid related to the IPO Acquisitions. The remaining debt was repaid through partial use of proceeds received from the issuance of Trust units pursuant to the two private placements that were completed in 2005.

On May 3, 2005, Builders obtained a $45.0 million credit facility with two major Canadian chartered banks. In December, this facility was amended, increasing the total facility to $70.0 million and a third Canadian chartered bank was added. The operating line of credit is $15.0 million from June 1 to October 31, increasing to $20.0 million for the period from November 1 to May 31. The term acquisition loan facility is $50.0 million. At December 31, 2005, the Trust had drawn $5.7 million of the $20.0 million operating line and $14.9 million of the $50.0 million term acquisition loan facility resulting in a total of $49.4 million of unutilized financing capacity. The available financing is expected to be sufficient to meet existing operating needs and commitments for at least the next year.

The term date of the operating line of credit and the term acquisition loan facility is May 31, 2006. At this time, it is management's intention to renew the facilities for an additional 364 days. Since the term date occurs within one year, as at December 31, 2005, $2.9 million of the acquisition loan facility has been recognized as part of the current portion of long-term debt in current liabilities.

All financial debt covenants were satisfied at December 31, 2005. All banking requirements were up to date and the Trust does not anticipate any covenant issues restricting its future operating, investing or financing activities.

The financing contracts and capital leases are repayable in monthly installments of $0.3 million, including interest, at a weighted average interest rate of six percent, and mature between January 2006 and December 2010. The contracts and leases are collateralized by specific equipment.

Through its use of long-term debt, the Trust is exposed to interest rate risk as its debt has a floating rate. At December 31, 2005, the long-term debt had a carrying and fair value of $21.9 million due to the fact that interest associated with the long-term debt facility is directly tied to the prime rate. At December 31, 2005, the debt facility's effective rate of interest was 4.61 percent.

Investing

The Trust invests in three primary areas: existing oilfield services businesses via acquisition, growth capital to increase the size and operations of these businesses and maintenance capital. The following table provides a breakdown of the key investing activities during the period:

(Thousands)	For the 341-day period ended December 31, 2005
Acquisitions:	
IPO Acquisitions	$ 36,907
Tryton, Endeavor and Puma	27,501
	64,408
Capital expenditures	28,948
Proceeds on disposal of capital assets	(2,221)
	$ 91,135

The IPO Acquisitions are the initial nine companies that were purchased in conjunction with the IPO on January 25, 2005. These transactions were structured with the consideration being a combination of Trust units, Exchangeable shares and cash. The companies that were purchased were Brazeau Well Servicing Ltd., C.D.T Rentals Inc., Circle D Transport Inc., Coil Tubing Completions Ltd., CTC Nitrogen Services Ltd., CTC Production Testing Ltd., Decarson Rentals (2000) Inc., Ken Polege Enterprises Inc. and Remote Wireline Services Ltd.

In addition to the IPO Acquisitions, the Trust completed the following acquisitions during 2005:

- On June 1, 2005, the Trust acquired substantially all of the net operating assets of Tryton Tool Services Ltd. for total cash consideration of $10.4 million and the issuance by the Trust of 623,077 Trust units at a deemed price of $13.00 per Trust unit;
- On July 21, 2005, the Trust acquired all the issued and outstanding shares of Endeavor E-Line Services Inc. for total cash consideration of $14.0 million and the issuance by the Trust of 988,947 Trust units at a deemed price of $13.25 per Trust unit;
- On October 14, 2005, the Trust acquired substantially all of the net operating assets of Puma Well Service Ltd. for total cash consideration of $3.1 million and the issuance by the Trust of 222,222 Trust units at a deemed price of $15.75 per Trust unit.

On February 1, 2006, the Trust purchased all the issued and outstanding shares of Leachman Enterprises Ltd. ("Leachman") for $3.5 million in cash consideration, 150,307 Trust units and 64,417 Exchangeable shares. Leachman specializes in oilfield equipment hauling and storage and is located in Provost, Alberta.

Capital

Capital expenditures for the 341-day period ended December 31, 2005:

(Thousands)	341-day period ended December 31, 2005
Growth Capital	
Oilfield hauling and rig relocation (trucks, pickers, trailers)	$ 13,550
Service rigs	4,358
Wireline services (wireline and E-line units)	1,957
Oilfield services, rentals and other (coil tubing units, nitrogen units)	5,245
	25,110
Maintenance capital	3,838
Total capital expenditures	$ 28,948

Growth capital represents expenditures on assets that are intended to provide an incremental revenue increase to Builders.

Maintenance capital represents capital additions incurred in order to refurbish or replace existing capital assets that are not expected to add incremental revenue.

Anticipated capital expenditures for the year ended December 31, 2006:

(Thousands)	Year ended December 31, 2006
Growth Capital	
Oilfield hauling and rig relocation (trucks, pickers, trailers)	$ 11,000
Service rigs	5,100
Wireline services (E-line units and other equipment)	2,800
Oilfield services, rentals and other (coil tubing units)	4,100
	23,000
Maintenance capital and other	7,000
Total capital expenditures	$ 30,000

CONTRACTUAL OBLIGATIONS

(Thousands)	2006	2007	2008	2009	2010+
Operating leases	$ 2,555	$ 2,438	$ 2,316	$ 1,824	$ 3,658
Capital leases	292	184	30	15	10
Financing contracts	2,371	2,128	1,457	449	97
Total	$ 5,218	$ 4,750	$ 3,803	$ 2,289	$ 3,765

Operating leases relate to the leasing of equipment, property and buildings from both third parties and related parties. Capital leases and financing contracts were a component of the acquisitions completed during 2005. These contracts primarily relate to the financing of vehicles and equipment.

RELATED PARTIES

During the normal course of operations, on commercial terms established and agreed to by the related parties, the Trust rents land and buildings from the former owners of businesses acquired. For the 341-day period ended December 31, 2005, $1.3 million has been included in operating expenses for these items.

CRITICAL ACCOUNTING ESTIMATES

In preparing the Trust's consolidated financial statements, management is required to make estimates and assumptions based on information available as of the date of the consolidated financial statements that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and revenues and expenses for the periods reported. The most significant of these estimates are depreciation and amortization, the valuation of goodwill and intangible assets and unit based compensation. Actual results could differ from these amounts.

Although estimates and assumptions based on information available at the time are required to be made, it is management's opinion that none of the above items identified or other items in Builders' financial statements involve assumptions or estimates that are highly uncertain at the time they were made and that different estimates that the Trust could have used or changes in the accounting estimate that are reasonably likely to occur would have a material impact on the Trust's financial condition, changes in financial condition or results of operations.

ACCOUNTING POLICIES

As this is the first period of operations, all accounting polices were adopted at the commencement of operations.

Recent Accounting Pronouncements

The following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"), are applicable to Builders but have not been implemented:

- *CICA Handbook Section 1530 – Comprehensive Income*
  This standard will be effective for the Trust's 2007 reporting period and is not expected to have a significant impact on the Trust. The standard creates a separate financial statement that captures items included in other comprehensive income but excluded from income in accordance with GAAP.
- *CICA Handbook Section 3831 – Non-Monetary Transactions*
  This standard is effective for the Trust's 2006 reporting period and is not expected to have a significant impact on the Trust. The primary change from existing guidance is that the test of a non-monetary transaction is based on commercial substance versus the existing test of culmination of the earnings process.
- *CICA Handbook Section 3855 and Section 3861 – Financial Instruments*
  These standards will be effective for the Trust's 2007 reporting period and are not expected to have a significant impact on the Trust. These standards address the requirement to record financial instruments at fair value in the financial statements unless certain criteria are met allowing them to be recorded at cost or amortized cost.

DISCLOSURE CONTROLS AND PROCEDURES

Management has designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Trust, including its consolidated subsidiaries, is made known to the President and Chief Executive Officer and the Vice-President, Finance and Chief Financial Officer by others within those entities, particularly during the period in which the annual filings of the Trust are being prepared, in an accurate and timely manner in order for the Trust to comply with its continuous disclosure and financial reporting obligations and in order to safeguard assets. Management has concluded that the Trust's disclosure controls and procedures, as of the end of the period covered by the annual filings, are effective in providing reasonable assurance that material information is accumulated and disclosed accurately. Consistent with the concept of reasonable assurance, the Trust recognizes that the relative cost of maintaining these controls and procedures should not exceed their expected benefits. As such, the Trust's disclosure controls and procedures can only provide reasonable assurance, and not absolute assurance, that the objectives of such controls and procedures are met.

BUSINESS RISKS

The cyclical nature of the oil and gas industry results in inherent service industry risk, as the success of WCSB oilfield service businesses are directly tied, in large part, to the general health of the oil and natural gas industry in Western Canada. Such risks include, but are not necessarily limited to, the trust structure, federal, provincial, government regulatory and environmental compliance, seasonality of operations, competition, alternative energy sources, capital markets and commodity pricing. Specific risks are identified below.

Trust Structure

Trusts must fund ongoing distributions while retaining sufficient cash flow to sustain the assets of the underlying operations. In the event that industry fundamentals shift, distribution levels may also have to be adjusted.

Regulatory Environment

In addition to the various federal, provincial and municipal regulations that oilfield service businesses must adhere to in their ongoing operations, these businesses are also subject to environmental regulations pursuant to a variety of provincial and federal legislation.

Seasonality

In Canada, the level of activity in the oilfield service industry is influenced by seasonal weather patterns. Spring break-up, which typically occurs during the second quarter, leaves many secondary roads temporarily incapable of supporting the weight of heavy equipment, which results in severe restrictions in the level of oilfield service activity. The timing and duration of spring breakup is dependent on regional weather patterns but typically occurs in April and May. Additionally, if an unseasonably warm winter prevents sufficient freezing, oilfield service businesses may not be able to access certain well sites and its operating results and financial condition may therefore be adversely affected.

The demand for oilfield services may also be affected by the severity of the Canadian winters. In addition, during excessively rainy periods, equipment moves may be delayed, thereby adversely affecting operations. The volatility in the weather and temperature can therefore create unpredictability in activity and utilization rates.

Competition

The oilfield services industry in the WCSB is highly competitive, and in order to be successful, businesses must provide quality service, reliability and availability. The Trust competes with businesses that offer the same service in the same geographic areas that it operates. Competitive factors may result in the Trust not being able to continue to provide its present services at competitive prices.

Capital Markets

The state of the financial markets in Canada is influenced by commodity prices and the ability to finance capital programs with cash flow, debt or new equity issues. Market forces, in combination with consumer demand for oil and gas, are key factors in determining the number of wells that will be drilled by E&P companies in Canada.

Commodity Prices

Any prolonged, substantial reduction in commodity prices will likely affect the activity levels of the oil and gas E&P companies and the demand for energy services. A significant, prolonged decline in commodity prices could have a material adverse effect on the oilfield services industry's financial condition, results of operations and cash flows.

These risks have and will continue to be considered as management continues to implement the Trust's strategy.

OUTLOOK

The oil and gas industry closed out 2005 on a high note and expectations for 2006 are that the industry will remain robust. The outlook for commodity prices continues to remain strong relative to recent years and current estimates indicate that the number of wells to be drilled in Canada in 2006 will be approximately 25,000. In addition, the existing 160,000 producing wells in the WCSB require ongoing maintenance to ensure their productive capability is maintained. These factors, combined with the current demand in North America and abroad for crude oil and natural gas, bodes well for the oilfield services sector and it is expected to be strong throughout 2006.

Reservoir declines and challenges in finding new oil and gas reserves through exploration are expected to lead the industry towards increased service work to maintain and enhance recoveries from existing reservoirs. These reservoir challenges, coupled with expectations for high prices and strong demand for oil and natural gas, have led many to conclude that the oilfield services sector will continue to grow.

Expectations are that the Trust will eclipse the 2005 levels of activity, reflecting a full year of operations, and will benefit from the additions of 2005 growth capital that came into service late in the year and in the first quarter of 2006. Additional strategic acquisitions continue to be assessed by the Trust, as industry consolidation in the oilfield services sector is expected to continue.

Management expects to continue to generate sufficient cash flows to maintain our current monthly distribution level of $0.13 per unit per month and stay within our targeted payout ratio of 65 percent to 70 percent of distributable cash.

Management believes current cash resources and credit facilities are sufficient and expects to meet all bank covenant requirements.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The audited consolidated financial statements of Builders Energy Services Trust ("Trust") and all information contained in this annual report are the responsibility of management of Builders Energy Services Ltd. as administrator ("Administrator") of the Trust and the audited consolidated financial statements have been approved by the Board of Directors of the Administrator. The consolidated financial statements have been prepared by management and are presented fairly in accordance with Canadian generally accepted accounting principles and, where appropriate, reflect management's best estimates and judgments based on currently available information.

Management has established and maintains an accounting and reporting system supported by internal controls designed to safeguard assets from loss or unauthorized use and ensure the accuracy of the financial records. The financial information presented throughout this annual report is consistent with the consolidated financial statements.

Ernst & Young LLP, an independent firm of chartered accountants, has been appointed by the Administrator as external auditors of the Trust. The Auditors' Report to the Unitholders, which describes the scope of their examination and expresses their opinion, is presented below.

The Audit Committee of the Board of Directors, whose members are independent of management, meets to review the consolidated financial statements with management and the auditors, and has reported to the Board of Directors thereon. On the recommendation of the Audit Committee, the Board of Directors has approved the consolidated financial statements.

Garnet K. Amundson
President and Chief Executive Officer

John W. Nearing
Vice President, Finance and Chief Financial Officer

March 7, 2006

AUDITORS' REPORT

To the Unitholders of
Builders Energy Services Trust

We have audited the consolidated balance sheet of Builders Energy Services Trust as at December 31, 2005 and the consolidated statements of operations and accumulated earnings and cash flows for the 341-day period then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Builders Energy Services Trust as at December 31, 2005 and the results of its operations and its cash flows for the 341-day period then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

Calgary, Canada
March 7, 2006

CONSOLIDATED BALANCE SHEET

(Thousands)	As at December 31, 2005
Assets *(notes 6 and 7)*	
Current assets	
Cash	$ 1,461
Accounts receivable	38,862
Inventory	5,730
Prepaid expenses and deposits	764
	46,817
Capital assets *(note 4)*	104,403
Intangible assets *(note 5)*	13,798
Goodwill *(note 3)*	66,876
Deferred charges	475
	$ 232,369
Liabilities and Unitholders' Equity	
Current liabilities	
Operating line of credit *(note 6)*	$ 5,700
Accounts payable and accrued liabilities	18,767
Income taxes payable	2,009
Distributions payable *(note 11)*	1,901
Current portion of long-term debt *(note 7)*	5,559
	33,936
Long-term debt *(note 7)*	16,369
Future income tax liability *(note 13)*	19,086
Non-controlling interest *(note 8)*	10,807
	80,198
Commitments *(notes 16 and 17)*	
Subsequent event *(note 18)*	
Unitholders' equity	
Trust units *(note 9)*	150,790
Contributed surplus *(note 10)*	1,600
Accumulated net earnings	16,512
Accumulated distributions *(note 11)*	(16,731)
	152,171
	$ 232,369

See accompanying notes to consolidated financial statements

On behalf of the Board:

Garnet K. Amundson
Director

Earl B. Lewis
Director

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED NET EARNINGS

From inception of operations of the Trust on January 25, 2005 to December 31, 2005

(Thousands, except per unit amounts)	341-day period ended December 31, 2005
Revenue	$ 125,460
Operating expenses	79,223
	46,237
Expenses	
General and administrative	12,978
Depreciation	8,704
Amortization	1,543
Unit-based compensation *(note 10)*	1,600
Interest on long-term debt	1,056
Other	580
	26,461
Earnings before income taxes and non-controlling interest	19,776
Income tax expenses *(note 13)*	
Current	987
Future	895
	1,882
Earnings before non-controlling interest	17,894
Non-controlling interest earnings *(note 8)*	1,382
Net earnings	16,512
Accumulated net earnings, beginning of period	–
Accumulated net earnings, end of period	$ 16,512
Net earnings per unit *(note 12)*	
Basic	$ 1.40
Diluted	$ 1.38

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

From inception of operations of the Trust on January 25, 2005 to December 31, 2005

(Thousands)		341-day period ended December 31, 2005
Operating activities		
Net earnings	$	16,512
Items not affecting cash:		
Depreciation and amortization		10,247
Unit-based compensation		1,600
Non-controlling interest earnings		1,382
Future income tax expense		895
Loss on disposal of capital assets		262
		30,898
Changes in non-cash operating working capital *(note 14)*		(11,683)
		19,215
Financing activities		
Issue of Trust units, net of issue costs *(note 9)*		84,553
Issue of Subordinated units *(note 9)*		2,500
Distributions paid *(note 11)*		(14,830)
Increase in operating line of credit		5,700
Increase in long-term debt		31,694
Repayment of long-term debt		(24,219)
Repayment of long-term debt related to the Initial Public Offering Acquisitions		(12,250)
Deferred charges		(545)
		72,603
Investing activities		
Capital assets		(28,948)
Business acquisitions *(note 3)*		(64,408)
Proceeds on disposal of capital assets		2,221
Changes in non-cash investing working capital		778
		(90,357)
Increase in cash		1,461
Cash, beginning of period		–
Cash, end of period	$	1,461
Supplementary cash flow information		
Income taxes paid	$	–
Interest paid	$	1,178

See accompanying notes to consolidated financial statements

1. Nature of the Organization

Builders Energy Services Trust (the "Trust" or "Builders") is an open-end unincorporated investment trust governed by the laws of the Province of Alberta and created pursuant to a Declaration of Trust dated November 29, 2004. The Trust commenced operations on January 25, 2005. The principal undertaking of the Trust is to engage in oilfield services, indirectly, through its wholly-owned subsidiaries.

2. Summary of Significant Accounting Policies

(a) Basis of presentation

The consolidated financial statements of the Trust have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP). Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements necessarily involves the use of estimates and approximations based on information available as of the date of the consolidated financial statements that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and revenues and expenses for the period reported. The most significant of these are the estimates used for depreciation and amortization, intangible assets, goodwill, and unit-based compensation. Accordingly, actual results could differ from those estimates. The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the Trust's accounting policies summarized below.

(b) Principles of consolidation

The consolidated financial statements include the accounts of the Trust and its subsidiaries. All subsidiaries are directly or indirectly wholly-owned and their operations are fully reflected in the consolidated financial statements. All intercompany transactions have been eliminated.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash and short-term investments with original terms to maturity of less than three months.

(d) Financial instruments

The Trust's financial instruments consist of accounts receivable, deposits, accounts payable and accrued liabilities, income taxes payable, distributions payable, operating line of credit and long-term debt. The carrying value of the Trust's financial instruments, unless otherwise noted, approximate the fair value due to their short-term until maturity or because they are based on the prime lending rate. A change in a financial instrument's fair value would be recognized in earnings during the period it is identified.

(e) Inventory

Inventory consists of downhole service tools and related supplies that are stated at the lower of cost, determined on a specific or average cost basis, and fair market value.

(f) Capital assets

Capital assets are recorded at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets (net of estimated salvage value).

Oilfield services equipment	5 – 10 years
Service rigs and equipment	15 years
Vehicles and automotive equipment	5 years
Other	3 – 10 years

Capital assets are subject to impairment tests in accordance with the accounting policy on impairment of long-lived assets.

(g) Intangible assets

Intangible assets are comprised of the values attributable to customer relationships from acquired businesses and are amortized on a straight-line basis. Amortization of intangible assets is included in amortization expense.

Intangible assets are subject to impairment tests in accordance with the accounting policy on impairment of long-lived assets.

(h) Impairment of long-lived assets

Builders' long-lived assets include capital assets and intangible assets with finite useful lives. Management assesses the carrying value of long-lived assets whenever events or changes in circumstances indicate impairment. When an indication of impairment is present, a test for impairment is carried out by comparing the carrying value of the asset to its expected future cash flows. If the carrying amount is greater than the expected future cash flows, the asset would be considered impaired and an impairment loss would be realized to reduce the asset's carrying value to its estimated fair value.

(i) Goodwill

Goodwill represents the excess of the purchase price of acquired businesses over the fair value of net assets acquired and is not subject to amortization.

Goodwill is tested for impairment annually to determine if events or circumstances indicate the asset might be impaired. The impairment test includes the application of a fair value test, with an impairment loss recognized when the carrying value of goodwill exceeds its estimated fair value. Impairment provisions are not reversed if there is a subsequent increase in the fair value of goodwill.

(j) Revenue recognition

Revenue for oilfield services is recognized in the period that the services are provided to the customer.

(k) Segmented information

For financial reporting purposes, management views the operations of Builders as a single business segment. All operations are located in the Western Canadian Sedimentary Basin and provide oilfield services to crude oil and natural gas exploration and production customers. Additionally, the operations are complementary in nature with similar risk profiles and historical returns.

(l) Income taxes

The Trust follows the liability method to account for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the carrying value and the tax basis of assets and liabilities, and are measured using the substantially enacted tax rates expected to be in effect when the differences are expected to reverse. Changes to these balances are recognized in net earnings in the period in which they occur. The amount of any future income tax assets recognized is limited to the amount that is more likely than not to be realized.

The Trust is a mutual fund trust for the purposes of the Canadian Income Tax Act and is taxable only on income that is not distributed or distributable to the Unitholders.

(m) Deferred charges

Deferred charges consisting of costs associated with the establishment of the debt agreement, are deferred and amortized using the straight-line method over the anticipated term of repayment. Amortization is included in amortization expense.

(n) Unit-based compensation

The Trust has applied the fair value method to account for the trust unit option plan whereby the Trust records the fair value of unit options granted as unit-based compensation expense over the vesting period of the grants, with a corresponding increase in contributed surplus.

(o) Net earnings per unit

Basic net earnings per unit is calculated using the weighted average number of Trust units and Subordinated units outstanding during the period. Diluted per unit amounts reflect the dilutive effect of options outstanding and Exchangeable shares. The Exchangeable shares are assumed to be converted to Trust units using the average exchange ratio during the period. Diluted earnings per unit is calculated using the treasury stock method whereby outstanding options are only dilutive if, and to the extent that, the exercise price of the options is less than the market price of the Trust's units. The treasury stock method assumes that any proceeds obtained on exercise of options would be used to purchase Trust units at the average market price during the period. The weighted average number of Trust units outstanding is then adjusted by this change.

(p) Distributions to Unitholders

Distributions to Unitholders are declared and approved by the Administrator of the Trust and are based on issued Trust units at a specified point in time.

(q) Non-controlling interest

Non-controlling interest on the consolidated balance sheet is recognized based on the fair value of the Exchangeable shares upon issuance plus the accumulated earnings attributable to the non-controlling interest. Net earnings are reduced for the portion of earnings attributable to the non-controlling interest. As the Exchangeable shares are converted to Trust units, the non-controlling interest on the consolidated balance sheet is reduced by the cumulative book value of the Exchangeable shares and the book value of Trust units is increased by the corresponding amount.

3. Business Acquisitions

During the 341-day period ended December 31, 2005, Builders completed a number of acquisitions. These acquisitions have been accounted for by the purchase method with the results of operations of the Initial Public Offering Acquisitions (the "IPO Acquisitions"), Tryton Tool Services Ltd. ("Tryton"), Endeavor E-Line Services Inc. ("Endeavor"), and Puma Well Service Ltd. ("Puma") being included in the financial statements from the date of acquisition.

A summary of the net assets acquired and the allocation of the purchase prices are as follows:

	IPO Acquisitions (i)	Tryton (ii)	Endeavor (iii)	Puma (iv)	Total
Net assets acquired					
Bank indebtedness	$ (2,016)	$ –	$ –	$ –	$ (2,016)
Non-cash working capital	7,916	4,099	1,640	20	13,675
Capital assets	73,189	1,109	5,781	6,563	86,642
Intangible assets	9,382	2,751	3,138	–	15,271
Goodwill	37,294	10,543	19,039	–	66,876
Long-term debt	(25,824)	–	(879)	–	(26,703)
Future income taxes	(16,591)	–	(1,600)	–	(18,191)
	$ 83,350	$ 18,502	$ 27,119	$ 6,583	$ 135,554
Consideration					
Cash	$ 34,891	$ 10,402	$ 14,016	$ 3,083	$ 62,392
Trust units *(note 9)*	38,352	8,100	13,103	3,500	63,055
Exchangeable shares *(note 8)*	10,107	–	–	–	10,107
	$ 83,350	$ 18,502	$ 27,119	$ 6,583	$ 135,554
Issued:					
Trust units *(note 9)*	3,835	623	989	222	5,669
Exchangeable shares *(note 8)*	1,011	–	–	–	1,011

(i) IPO Acquisitions

	Brazeau	CDT	Circle D	CTC	Decarson	Polege	Remote	Total
Net assets acquired								
Acquired cash (bank indebtedness)	$ (2,001)	$ (99)	$ (1,093)	$ 614	$ 159	$ 158	$ 246	$ (2,016)
Non-cash working capital	2,665	(81)	2,690	(339)	973	1,323	685	7,916
Capital assets	23,559	1,617	15,803	8,628	15,525	4,715	3,342	73,189
Intangible assets	1,187	261	–	1,172	2,839	2,609	1,314	9,382
Goodwill	12,387	1,339	3,831	7,098	3,351	7,151	2,137	37,294
Long-term debt	(6,304)	(24)	(10,895)	(4,626)	(3,381)	(29)	(565)	(25,824)
Future income taxes	(5,599)	(201)	(2,218)	(1,488)	(3,979)	(2,061)	(1,045)	(16,591)
	$ 25,894	$ 2,812	$ 8,118	$ 11,059	$ 15,487	$ 13,866	$ 6,114	$ 83,350
Consideration								
Cash	$ 12,129	$ 1,202	$ 4,596	$ 5,618	$ 932	$ 7,195	$ 3,219	$ 34,891
Trust units *(note 9)*	13,765	1,260	2,900	4,977	7,055	5,500	2,895	38,352
Exchangeable shares *(note 8)*	–	350	622	464	7,500	1,171	–	10,107
	$ 25,894	$ 2,812	$ 8,118	$ 11,059	$ 15,487	$ 13,866	$ 6,114	$ 83,350
Issued:								
Trust units *(note 9)*	1,377	126	290	498	705	550	289	3,835
Exchangeable shares *(note 8)*	–	35	62	47	750	117	–	1,011

On January 25, 2005, Builders completed the acquisition of all the issued and outstanding shares of a group of oilfield service companies, the IPO Acquisitions, for an aggregate purchase price of $83.4 million. The combined purchase price was funded by payment of $34.9 million in cash, the issuance by the Trust of an aggregate of 3,835,226 Trust units at a price of $10.00 per Trust unit and the issuance by Builders Energy Services Ltd., a subsidiary of the Trust, of an aggregate of 1,010,691 Exchangeable shares at a price of $10.00 per Exchangeable share. The operations of the IPO Acquisitions have been recorded in the consolidated operations of the Trust for 341-days ended December 31, 2005. The individual IPO Acquisitions are as follows:

BRAZEAU WELL SERVICING LTD.

On January 25, 2005, the Trust purchased all of the net assets of Brazeau Well Servicing Ltd. ("Brazeau"). Brazeau specializes in the deployment and operation of service rigs.

C.D.T. RENTALS INC.

On January 25, 2005, the Trust purchased all of the net assets of C.D.T. Rentals Inc. ("CDT"). CDT is a business involving the rental of oilfield equipment to oil and gas companies.

CIRCLE D TRANSPORT INC.

On January 25, 2005, the Trust purchased all of the net assets of Circle D Transport Inc. ("Circle D"). Circle D specializes in oilfield hauling and rig relocation.

CTC ENERGY SERVICES

On January 25, 2005, the Trust purchased all of the net assets of CTC Coil Tubing Completions Ltd., CTC Nitrogen Services Ltd. and CTC Production Testing Inc. (collectively known as "CTC Energy Services"). CTC Energy Services is a group of companies involving various oilfield services.

DECARSON RENTALS (2000) INC.

On January 25, 2005, the Trust purchased all of the net assets of Decarson Rentals (2000) Inc. ("Decarson"). Decarson is a business involving oilfield rentals and services.

KEN POLEGE ENTERPRISES LTD.

On January 25, 2005, the Trust purchased all of the net assets of Ken Polege Enterprises Ltd. ("Polege"). Polege specializes in oilfield equipment hauling and storage.

REMOTE WIRELINE SERVICES LTD.

On January 25, 2005, the Trust purchased all of the net assets of Remote Wireline Services Ltd. ("Remote"). Remote specializes in providing wireline services for oil and gas production companies.

(ii) Tryton Tool Services Ltd.

On June 1, 2005, the Trust purchased all of the net assets of Tryton. Tryton specializes in the sale, rental, installation and servicing of downhole tools and accessories. The operations of Tryton have been recorded in the consolidated operations of the Trust for the 214-days ended December 31, 2005.

(iii) Endeavor E-Line Services Inc.

On July 21, 2005, the Trust purchased all of the issued and outstanding shares of Endeavor. Endeavor performs e-line services for the oil and gas industry. The operations of Endeavor have been recorded in the consolidated operations of the Trust for the 164-days ended December 31, 2005.

(iv) Puma Well Service Ltd.

On October 14, 2005, the Trust purchased all of the net assets of Puma. Puma specializes in the deployment, operation and fabrication of service rigs. The operations of Puma have been recorded in the consolidated operations of the Trust for the 79-days ended December 31, 2005.

4. Capital Assets

	As at December 31, 2005		
	Cost	Accumulated Depreciation	Net Book Value
Oilfield services equipment	$ 65,529	$ 6,208	$ 59,321
Service rigs and equipment	30,189	1,080	29,109
Vehicles and automotive equipment	14,123	1,154	12,969
Other	3,257	253	3,004
	$ 113,098	$ 8,695	$ 104,403

Included above is $1.4 million of capital assets under capital leases of which $0.6 million of accumulated depreciation has been recognized.

The carrying value of assets under construction, not being depreciated until put into use, is $5.5 million as at December 31, 2005.

5. Intangible Assets

	As at December 31, 2005		
	Cost	Accumulated Amortization	Net Book Value
Intangible assets	$ 15,271	$ 1,473	$ 13,798

Intangible assets are comprised of the values attributable to customer relationships of the acquired businesses and are being amortized on a straight-line basis over a period of eight years.

6. Operating Line of Credit

On May 3, 2005, the Trust entered into a debt agreement that was subsequently amended on December 7, 2005. The agreement, with three major Canadian chartered banks, is comprised of an operating line of credit and a term acquisition loan facility (note 7). The operating line of credit is limited to the lesser of $20.0 million or 75 percent of the Trust's accounts receivable, less specific items. The operating line of credit decreases by $5.0 million between June 1 and October 31, each year, changing the limit to the lesser of $15.0 million or 75 percent of the Trust's accounts receivable, less specific items. The operating line of credit bears interest at the bank prime rate or at banker's acceptance rates plus a variable stamping fee of 0.75 to 1.00 percent. The operating line of credit is secured by a general security agreement and a general assignment of accounts receivable.

7. Long-term Debt

	As at December 31, 2005
Term acquisition loan *(i)*	$ 14,895
Term debt *(ii)*	6,502
Capital leases *(ii)*	531
	21,928
Less: current portion of long-term debt	5,559
Long-term debt	$ 16,369

(i) On May 3, 2005, the Trust entered into a debt agreement that was subsequently amended on December 7, 2005. The agreement, with three major Canadian chartered banks, is comprised of an operating line of credit (note 6) and a term acquisition loan facility. The term acquisition loan facility is limited to the lesser of $50.0 million or 60 percent of the unencumbered net tangible assets. The facility has no required principal repayments during the term and bears interest at the bank's prime rate plus 0.75 percent or at banker's acceptance rates plus a variable stamping fee of 1.75 to 2.00 percent. The facility expires on May 31, 2006 and can be renewed, at the lender's option, for an additional 364-day period. If not renewed, the loan is repayable in equal monthly installments over a three-year period. As a result, the portion of the term acquisition loan included in the current portion of long-term debt at December 31, 2005 is $2.9 million. The term acquisition loan facility is collateralized by a general security agreement and a general assignment of book debts.

(ii) The term debt is repayable in monthly installments of $0.2 million, including interest, at a weighted average interest rate of six percent maturing between January 2006 and December 2010. Collateral for the term debt is specific equipment.

The obligations under capital leases are repayable in negligible monthly installments at a weighted average interest rate of seven percent. Collateral for the obligations under capital leases is specific equipment.

Principal payments of term debt and obligations under capital leases over the next five years are as follows:

2006	$ 2,663
2007	2,312
2008	1,487
2009	464
2010	107
	$ 7,033

8. Non-controlling Interest

	341-day period ended December 31, 2005	
	Exchangeable Shares	Amount
Consideration for IPO Acquisitions *(note 3)*	1,011	$ 10,107
Conversion to Trust units	(65)	(682)
Non-controlling interest earnings	–	1,382
Balance, end of period	946	$ 10,807
Exchange ratio, end of period	1.0887	
Trust units issuable upon conversion, end of period	1,030	

The Exchangeable shares are not eligible to receive distributions from the Trust and have voting attributes equivalent to the number of Trust units issuable upon conversion of the Exchangeable shares from time-to-time. The Exchangeable shares are required to be converted prior to January 31, 2008.

The number of Trust units issuable upon conversion is based upon the exchange ratio in effect at the conversion date. The exchange ratio, which was initially at one to one, is cumulatively adjusted each time a distribution is made to Unitholders.

9. Trust Units

(a) Authorized

Builders is authorized to issue an unlimited number of Trust units and an unlimited number of Subordinated units.

(b) Issued and Outstanding

	Units	Amount
Trust units		
Initial Public Offering	5,100	$ 51,000
Consideration for acquisitions *(note 3)*	5,669	63,055
Private placements	2,788	40,011
Conversion of exchangeable shares	67	682
Issue costs	–	(6,458)
	13,624	148,290
Subordinated units issued for cash on January 25, 2005	1,000	2,500
Balance end of period	14,624	$ 150,790

Trust units and Subordinated units have the same rights with respect to voting but distributions in respect of Subordinated units are until December 31, 2007, subordinated to distributions in respect of the Trust units if monthly distributions in respect of the Trust units, on a cumulative basis, are less than $0.12 per Trust unit. If during any given month, an amount less than $0.12 per Trust unit is paid to the holders of Trust units, any such unpaid portion will be paid in a subsequent month or months ending on or prior to December 31, 2007 in priority to distribution payments made to holders of Subordinated units. Subsequent to December 31, 2007, distributions to Unitholders and Subordinated units will be made proportionately and at an equal rate.

(c) Escrowed Trust Units and Exchangeable Shares

As at December 31, 2005, a total of 3,778,459 Trust units and 635,926 Exchangeable shares were held in escrow. The holders of the escrowed Trust units are entitled to receive any and all distributions in respect of the escrowed Trust units.

10. Unit-based Compensation

The Trust has a unit option plan (the "Plan") under which certain directors, officers, employees, and consultants of the Trust are eligible to receive Trust unit options to acquire Trust units, with terms not to exceed five years from the date of the grant. The grant price is not less than the weighted-average price of the units for the five trading days immediately prior to the grant date. Under the Plan, vesting periods are determined by the Board of Directors of the Trust at the time of the grant. For options granted to December 31, 2005, one-third of the options are exercisable on each anniversary date from the date of the original grant.

The maximum number of Trust unit options issuable under the Plan may not exceed 10 percent of the Trust's outstanding Trust units and Exchangeable shares converted to Trust units at any time, which at December 31, 2005 totaled 1,565,395 Trust unit options.

A summary of changes in the number of Trust unit options, with their weighted average exercise prices as at December 31, 2005 is presented below:

	Trust Unit Options	Weighted Average Exercise Price (Per Unit)
Issued	1,355	$ 11.20
Forfeitures	(33)	10.44
Outstanding, end of year	1,322	$ 11.21
Exercisable, end of year	–	

The following table summarizes information about the Trust unit options outstanding as at December 31, 2005:

Range of Exercise Prices	Trust Unit Options Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price (Per Unit)
$10.00	1,007	4.1	$ 10.00
$12.37 – $16.79	315	4.6	15.09
	1,322	4.2	$ 11.21

The Trust recorded unit-based compensation expense of $1.6 million with an offsetting increase to contributed surplus in respect of the Trust unit options granted for the 341-days ended December 31, 2005. The amount of unit-based compensation expense has been reduced for options issued during the year but forfeited prior to vesting.

The fair value of Trust unit options issued during the year was estimated using the Black-Scholes pricing model. This model requires the input of various assumptions, including unit price volatility and expected time until exercise, which can cause significant variation in the estimate of the fair value of the options. The following assumptions were used for options issued in 2005:

Risk-free Interest Rate *(percent)*	Expected Volatility *(percent)*	Expected Term *(years)*	Present Value of Future Distributions *(Per Unit)*
3.2 – 3.9	22 – 26	Five	–

A Trust unit option holder may elect to decrease the exercise price of each Trust unit option that he or she holds by the aggregate distributions issued per Trust unit from the date of the Trust unit option grant until the date of exercise. As such an election may place the Trust unit option holder in an unfavorable after-tax cash position, the Trust has assumed that no such Trust unit option holders will make such election. Therefore, the assumption with respect to future distributions, to be included in the Black-Scholes pricing model is nil.

11. Accumulated Distributions

During 2005, the Trust declared monthly distributions to Unitholders of record as at the close of business on each Distribution Record Date. Such distributions are recorded as reductions of Unitholders' equity upon declaration of the distribution.

During 2005, the Trust declared distributions of $1.39 per unit for a total of $16.7 million. Declared distributions payable of $1.9 million as at December 31, 2005 were paid on January 16, 2006.

	341-days ended December 31, 2005	
	Per Unit	Amount
Distributions declared and paid	$ 1.26	$ 14,830
Distributions declared and payable	0.13	1,901
	$ 1.39	$ 16,731

12. Net Earnings Per Unit

The following table summarizes the computation of net earnings per unit:

	341-days ended December 31, 2005
Numerator:	
Basic earnings	$ 16,512
Non-controlling interest earnings	1,382
Diluted earnings	$ 17,894
Denominator:	
Weighted average units for basic earnings	11,788
Exchangeable shares converted to units at the average exchange ratio during the period	1,012
Options converted to units	206
Weighted average units for diluted earnings	13,006
Net earnings per unit:	
Basic	$ 1.40
Diluted	$ 1.38

13. Income Taxes

The provision for income taxes differs from the amount computed by applying the combined federal and provincial statutory income tax rate to earnings before income taxes and non-controlling interest for the following reasons:

	341-days ended December 31, 2005
Earnings before income taxes and non-controlling interest	$ 19,776
Statutory income tax rate	33.62%
Expected income tax expense	6,649
Increase (decrease) resulting from:	
Distributed taxable earnings	(5,440)
Non-deductible expenses	575
Large corporations tax	204
Other	(106)
Provision for income expense	$ 1,882

The future income tax liability at December 31, 2005 is comprised of the following temporary timing differences:

	As at December 31, 2005
Capital assets	$ 15,291
Intangible assets	3,795
Future income tax liability	$ 19,086

14. Changes in Non-cash Operating Working Capital

Components of changes in non-cash operating working capital are as follows:

	As at December 31, 2005
Accounts receivable	$ (13,041)
Inventory	(731)
Prepaid expenses and deposits	(136)
Accounts payable, accrued liabilities and income taxes payable	2,225
	$ (11,683)

15. Financial Instruments

(a) Fair Values

Financial instruments of the Trust consist mainly of accounts receivable, deposits, accounts payable and accrued liabilities, income taxes payable, distributions payable and operating line of credit and term acquisition loan. As at December 31, 2005, there are no significant differences between the carrying values of these amounts and their estimated fair market values due to their short term to maturity.

(b) Interest Rate Risk

The Trust is exposed to changes in the prime interest rate on its operating line of credit and term acquisition loan. All of the Trust's other debt has fixed interest rates.

(c) Credit Risk

Substantially all accounts receivable are due from customers in the oil and natural gas industry and are subject to normal industry credit risks. Concentration of credit risk is mitigated by having a broad customer base. The carrying value of accounts receivable reflects management's assessment of the associated credit risks.

16. Related Party Transactions

The Trust rents land and buildings from the previous owners of certain businesses acquired. Total related party transactions included in operating expenses were $1.3 million for the 341-day period ended December 31, 2005.

These transactions were conducted in the normal course of operations, on commercial terms established and agreed to by the related parties, and were recorded at the exchange amount.

The Trust is committed to future minimum payments under operating lease contracts for land, buildings and certain light oilfield equipment, with varying expiration dates, from the previous owners of certain businesses acquired. The minimum lease payments under these operating leases over the next five years and in aggregate are as follows:

2006	$	1,434
2007		1,434
2008		1,425
2009		1,031
2010		733
Thereafter		1,756
	$	7,813

17. Commitments

The Trust is committed to future minimum payments under operating lease contracts, excluding those commitments previously disclosed within note 16, for office space, office equipment and vehicles with varying expiration dates. The minimum lease payments under these leases over the next five years and in aggregate are as follows:

2006	$	1,121
2007		1,004
2008		891
2009		793
2010		944
Thereafter		225
	$	4,978

18. Subsequent Event

On February 1, 2006, the Trust acquired all of the outstanding shares of Leachman Enterprises Ltd. ("Leachman") for aggregate consideration of $7.5 million, consisting of $3.5 million in cash, 150,307 Trust units and 64,417 Exchangeable shares. Leachman is an oilfield tubulars storage and hauling business.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Earl B. Lewis [4]
Chairman of the Board
Builders Energy Services Ltd.

Garnet K. Amundson
President and Chief Executive Officer
Builders Energy Services Ltd.

James A. Banister [3, 4]
President and Chief Executive Officer
BanCor Inc.

Michael J. Black [2, 3]
Partner
Heenan Blaikie LLP

Verne G. Johnson [1, 4]
Independent Businessman

Nick G. Kirton [1, 2]
Independent Businessman

Frank G.J. Nieboer [1, 2, 3]
President
FLN Management Ltd.

1 Member of Audit Committee
2 Member of Governance Committee
3 Member of Compensation Committee
4 Member of Environment, Health & Safety Committee

OFFICERS AND SENIOR MANAGEMENT

Garnet K. Amundson
President and Chief Executive Officer

John C. Eadie
Senior Vice President and Corporate Secretary

Terry J. Winnitoy
Vice President, Business Development

John W. Nearing
Vice President, Finance and Chief Financial Officer

STOCK EXCHANGE LISTING

Toronto Stock Exchange
Builders Energy Services Trust
Symbol **"BET.UN"**

REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada
Calgary, Alberta

BANKERS

National Bank of Canada
Calgary, Alberta

Toronto-Dominion Bank
Calgary, Alberta

Canadian Western Bank
Calgary, Alberta

LEGAL COUNSEL

Heenan Blaikie LLP
Calgary, Alberta

Stikeman Elliott LLP
Calgary, Alberta

AUDITORS

Ernst & Young LLP
Calgary, Alberta

HEAD OFFICE

2200, 777 – 8th Avenue SW
Calgary, Alberta T2P 3R5
Phone: (403) 693-2378
Fax: (403) 693-2348
E-mail: ir-best@buildersenergy.com
Website: www.buildersenergy.com

Builders Energy Services Trust 2200, 777 – 8th Avenue S.W., Calgary, Alberta T2P 3R5

BUILDERS
Energy Services